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Chief, Economic Research, ORR

7 January 1959

Chief, Industrial Division, ORR

Monthly Report, December 1958

I. Relations with and Support to Other Components:

A. CIA:

1. The Aircraft Branch was contacted by the Chief, Survey Branch, Physical Security Division, Office of Security for assistance in gathering material for the investigation of possible disclosure of classified material regarding the Soviet aircraft BOUNDER to unauthorized persons.

2. Several persons in the Division were interviewed by a representative of the Lost Documents Branch of the Office of Security regarding their relationships with representatives of the Convair Division of the General Dynamics Corporation.

3. [REDACTED] 25X1A9a  
(I/CM) made presentations on various current developments in Soviet guided missile production and deployment at the CIA Guided Missile Forum conducted by OSI in December.

4. The Aircraft Branch collaborated with [REDACTED] 25X1B4d  
Staff to produce a paper on BADGER aircraft production. This is the second paper produced where [REDACTED] 25X1B4d  
was used.

5. Deputy Chief, D/I briefed the Agency Planning Group for Reporting and Communication Systems on the range and variety of the ERA research product, based on sample types of ERA reports. Attention was given to the types of problems addressed by different ERA components, the kinds of sources used in dealing with particular problems, the timeliness of field reporting, and requirements for the recovery of sources from central files.

B. USIB Committees:

6. As a result of Soviet statements made in Geneva, USIB requested that GSEC once again examine the status of the Soviet ICEN program and recommend, if necessary, appropriate changes

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in the current estimate. Research by I/GM indicated that the recent statements did not differ significantly from statements made by the same source more than a year ago, and could have been an extension of published statements by other Soviet officials. In the absence of compelling new evidence from this or any other source, it was recommended that no change be made in the estimate. The ORR evaluation prepared by I/GM was presented to GMIC as the CIA contribution and subsequently became the basis for GMIC's reply to USIB. USIB decided to modify somewhat the conclusions of NIE 11-5-58 by adding a brief statement in NIE 11-4-58 taking account of recent Soviet statements and pointing out the possibility of greater Soviet progress in the ICBM program than that previously estimated as most probable.

7. A working group of the EIC Subcommittee on Machinery and Equipment met with several AFCEA analysts to discuss the Air Force Proposal for a US-USSR exchange in the heavy press field. It is expected that the Subcommittee will make its recommendations to the Ad Hoc Committee on Exchanges in January.

8. At the request of GMIC, I/GM prepared and submitted to the CIA member of GMIC a status report listing and describing all research projects currently underway in ORR in the field of guided missiles.

C. Other:

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9. [REDACTED] (I/ME) discussed certain aspects of Soviet military research, development, testing and evaluation expenditures as reflected in the ORR contribution to NIE 11-4-58, IP-643, with an interservice group chaired by Col. Deverall of the Joint Staff and with Mr. Walsh and Comdr. Inman of the Staff of the Assistant Secretary of Defense (Comptroller). The purpose of these discussions was to assist the services in the Joint Staff context in developing an estimate of Soviet research and development with particular reference to guided missiles and space. Eventually the services, particularly the Navy and the Air Force withdrew from the exercises. We refused to permit

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our participation to be construed as CIA concurrence in the final product on the basis of the fact that the appropriate channels for obtaining such concurrence would have to include ONIC, ONE, the Board of National Estimates and the USIB.

25X1X7 10. Chief, D/I and members of I/OM and I/PE spent several days discussing various aspects of military expenditures and guided missile production and deployment in the USSR with Mr. [REDACTED]. He has recently taken on a part-time responsibility for guided missile intelligence in [REDACTED], and 25X1X7 will attend [REDACTED] Guided Missiles Conference. Although 25X1X7 [REDACTED] is not yet in a position to contribute much new substantive information, it is possible that he will prove to be a valuable contact in the future, particularly in substantive areas of [REDACTED] specialization, such as the Soviet Arctic. 25X1X7

25X1A9a 11. [REDACTED] (I/PE) acted as interpreter at an interview between "Yuriy" Zhukov, Chairman of the USSR State Committee for Cultural Exchanges with Foreign Countries, and Dr. Raymond Smailner, Chairman of the President's Council of Economic Advisors.

25X1A5a1 [REDACTED] reviewed Soviet developments in ceramic tooling and electrolytic methods of metalworking with members of I/PE in December 1958. [REDACTED] concluded 25X1A5a1 that the USSR, under pressure to conserve alloying elements has developed ceramic cutting techniques to a stage more advanced than that of the US. 25X1A9a

13. [REDACTED] (I/PE) attended several meetings of an interagency technical group which is considering export control of technical data.

## II. Changes in Estimates:

14. The only significant change in an estimate within D/I's responsibility is described in paragraph 6 above.

## III. Future Plans:

15. The continuing necessity of direct support to field collection programs was again highlighted during December by the decision to renew [REDACTED] TDY assignment to [REDACTED]

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for 45 days. On the basis of [redacted] first hand and detailed description of the manner in which the [redacted] 25X1X7  
25X1X [redacted] are conducted, the local problems encountered in dealing with the [redacted] and sources, and the unanticipated flow of guided missile information from "casual" sources, it was considered essential that an OHR missile specialist provide on-the-spot guidance during the interrogations scheduled prior to [redacted] arrival in early February on PCS assignment. 25X1A9a  
The alternative was risk losing, without possibility of recall, sources who probably possess unique guided missile information.

16. OHR has been requested by GMIC to prepare and present on behalf of the U.S. Delegation the formal paper on Soviet guided missile production for the forthcoming [redacted] 25X1X7  
25X1X7 Conference [redacted] OHR has also been assigned responsibility for making the U.S. reply to the paper to be presented [redacted] 25X1X7 on Soviet guided missile deployment. Chief, I/GM will attend the conference and present the paper and reply. Preparation of the production paper has begun in I/GM and it is hoped that the paper will be adaptable for formal publication, probably by OGI, as a Part III of the Weekly Review. The extent to which a meaningful paper can be prepared and discussed at the conference will be largely dependent upon release by ND/P of a large volume of reports currently [redacted] This is currently being negotiated with ND/P through St/C channels. 25X1X7

17. In accordance with a suggestion made by [redacted] 25X1A5a1  
25X1A5a1 [redacted] (see I. C. above), I/PE is working on plans to exploit U.S. industrial firms in the evaluation of Soviet open source literature on those sections of the machine building industry on which I/PE lacks analytical capability. 25X1A5a1  
25X1A5a1 [redacted] offered the services of the [redacted] 25X1A5a1 in analyzing Soviet material on ceramic tools and electrolytic methods of metalworking. Under 25X1A5a1  
25X1A5a1 [redacted] proposal unclassified literature would be sent to his company at quarterly intervals for written evaluation.

18. The exchange of cables on the [redacted] Electronics Conference between OHR and [redacted] was 25X1A6a  
discussed with representatives of OGI. [redacted] Deputy Chief, 25X1A9a  
ED/OGI, was informed that no further action by OHR was contemplated, and that the conference schedule as previously drawn up would still be adhered to. [redacted] will 25X1A9a  
attend the [redacted] Electronics Intelligence Conference [redacted]  
between 12 and 23 January, 1959.

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**IV. Problems:**

19. As a result of the increasing number of self-initiated projects which are becoming over-due, the Industrial Division has reviewed its entire research program for the rest of FY 1959. The review included a detailed examination of each of the projects currently progressed. In the process it was found that extensive revision of this program was necessary, and such changes in the Division's research program have been recommended for approval by Chief, Economic Research.

At a meeting of the Branch Chiefs, it was emphasized that the importance of meeting even these self-imposed due-dates should be taken very seriously. It was evident that the major problem was the scheduling of analysts' time through the year. In order to solve this persistent problem, a pilot program of detailed scheduling of time of each analyst has been initiated to determine its effectiveness and its appropriateness for use in formulating and administering the FY 1960 research program.

20. Although progress has been made in obtaining informally advance copies of Signal Corps (USASIA) contributions to the electronics equipment subsections of the Soviet Bloc NIS, for branch review, the quality of these contributions is still mediocre, their review absorbs excessive ERA time, and their revision by the originating agency prejudices the meeting of the deadline to OSI. This condition is believed to reflect the limited analytical potential of USASIA rather than a reluctance on its part to be cooperative.

21. The following is a direct quote from I/GM's monthly report concerning a logistics problem which has defied solution:

"There has been another significant new development in the working conditions under which research of the utmost significance to the national security is conducted in this Branch. For some time, the hum of priority activity by busy, contented analysts has been augmented by the atonal roar of a battery of the highest-powered machines the electronics industry can devise which has been installed in the CIA Watch Office directly overhead. More recently, the floor of the Office of the Chief, I/GM has buckled and come asunder to the accompaniment of a jet of escaping steam from the main Cafeteria pipes. Whereas we were gradually becoming adjusted to being set upon from all sides, it now appears that we are equally vulnerable from above and below as well!"

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